

Date of Hearing: June 5, 2019

ASSEMBLY COMMITTEE ON AGRICULTURE
Susan Talamantes Eggman, Chair
SB 67 (McGuire) – As Amended March 21, 2019

SENATE VOTE: 32-4

SUBJECT: Cannabis: temporary licenses

SUMMARY: Extends temporary cannabis cultivation licenses (temporary license) until September 15, 2019, for applicants who submitted an annual application before the expiration date of the licensee temporary license, and authorizes licensing authorities to issue provisional temporary license to individuals without a temporary license, as specified. Specifically, **this bill:**

- 1) Extends the expiration date on a temporary license if the temporary licensee submitted an application for an annual license, before the temporary license's expiration date.
- 2) Voids the temporary license after the licensing authority issues an annual or provisional Cannabis cultivation license (provisional license) for the same premises and the same commercial cannabis activity for which the temporary license was issued.
- 3) Voids an extended temporary license 30 days after either CDFA denies or disqualifies the licensee's application, the licensee abandons the application, or CDFA notifies the licensee they qualify for a provisional or annual license.
- 4) States that denial, disqualification, revocation, or suspension by CDFA of a temporary license extended pursuant to this bill shall not entitle the licensee to a hearing or appeal, and states that a temporary license does not obligate CDFA to extend or issue an annual or provisional license.
- 5) States that extended temporary licenses shall expire on September 15, 2019.
- 6) Makes legislative findings and declarations that this bill furthers the purposes and intent of the Control, Regulate and Tax Adult Use of Marijuana Act (MAUCRSA).
- 7) Adds an urgency clause.

EXISTING LAW:

- 1) Establishes MAUCRSA to regulate the cultivation, distribution, transport, storage, manufacturing, processing, and sale of both medicinal cannabis and adult-use cannabis.
- 2) Requires CDFA to administer the portions of MAUCRSA related to and associated with the cultivation of cannabis. Delegates to CDFA the authority to create, issue, deny, and suspend or revoke cultivation licenses for violations of MAUCRSA.

- 3) Authorizes CDFA to issue a temporary license until January 1, 2019, that is valid for 120 days, and which may be extended for additional 90-day periods at the discretion of the licensing authority, as specified.
- 4) Authorizes CDFA to issue a provisional license for 12 months, to an applicant if: 1) The applicant holds or held a temporary license for the same premises and the same commercial cannabis activity for which the license may be issued; 2) The applicant has submitted a license application, including evidence that compliance with the California Environmental Quality Act (CEQA) is underway

FISCAL EFFECT: Unknown

COMMENTS: The Legislature passed legislation in 2015 to regulate medical cannabis in California, including its cultivation, transportation, storage, distribution, and sale. In 2016, the voters passed Proposition 64 (Prop 64), which legalized the recreational use of cannabis. As of January 1, 2018, the State of California (State) has begun issuing licenses for the cultivation, manufacturing, testing and sale of both medical and adult use of cannabis.

MAUCRSA authorized licensing authorities, including CDFA, to issue four-month temporary licenses to applicants, with opportunities for 90-day extensions, through December 31, 2018. CDFA's temporary license required only proof of local authorization and entitled the holder to engage in commercial cannabis cultivation activity without completing the annual licensing application requirements, including CEQA review. The state issued temporary licenses at no cost, and temporary licensees did not have access to the track and trace system, though they were obligated to maintain paper records.

The temporary license was intended as an intermediate step while the state and local jurisdictions managed their efforts to come into compliance with the cannabis regulatory structure.

According to the Author's office, "Due to the significant amount of annual license applications during the fall of 2018, after the Legislature adjourned, there are over 10,000 temporary licenses currently in the system that will be eligible for a provisional license."

The volume of temporary licenses creates the real risk that not all provisional annual license applications can be processed prior to the temporary licenses expiring. CDFA has been working to address the volume of licenses that came in prior to the temporary license authority expiring, but there is no guarantee they will process all the applications prior to temporary licenses expiring. The author points out that over 1000 temporary licenses issued by CDFA were set to expire in the month of March 2019 alone, with thousands more over the following months.

Supporters believe that an extension of the validity of current temporary licenses is in order to preserve cultivators to stay in the licensing scheme and continue to pursue a transition to annual licenses. Because the backlog is so extensive, processing a provisional license or awarding annual licenses in an expedited manner is not a realistic option. This bill allows CDFA additional time to convert temporary licenses to provisional or annual licenses.

Opponents state the temporary license required only proof of local authorization and entitled the holder to engage in commercial cannabis activity without completing annual licensing application requirements, including CEQA review. The state issued temporary licenses at no cost, and temporary licensees did not have access to the track and trace system, though they were

obligated to maintain paper records. The temporary license was intended as an intermediate step while the state and local jurisdictions managed their efforts to come into compliance with the cannabis regulatory structure. There are significant concerns that SB 67 would become a disincentive for applicants who have been following the rules up until this point.

REGISTERED SUPPORT / OPPOSITION:

Support

California Cannabis Industry Association
California State Association of Counties
California Teamsters Public Affairs Council
City Of Sacramento
Humboldt County
Mendocino County
Rural County Representatives of California
Southern California Coalition

Opposition

Santa Barbara County

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